

Anderson and said—I forget just what I said, but it is there. I certainly intended to suggest that I could not agree to that kind of thing.

Q. You have told the Commission about your conversation with Anderson and your suggestion, either that Shugar should cease to occupy his liaison position or, alternatively, that he should not come to your laboratories until you requested that he do so?

A. That is right.

Q. What stand did Commander Anderson take in respect to that?

A. As I recall, he agreed to it. He could not do anything else, he had to agree to it.

Q. From then on you did not see Shugar?

A. No, that is not so. We did not see him officially but he called in, at least on two occasions, and on discussing this with my own assistants they said that he called more often than that, but I can recall two occasions. On both occasions I warned the assistants that he must not get past the office door. The office is set aside from the laboratory and the laboratory is kept locked. They must go into the laboratory through the office and I refused to have him in the laboratory and insisted the door must be kept closed. During that period we had taken over work, certain branches of the work on the atomic energy project and I stressed that to the boys.

Q. That was at what time?

A. It was in 1945.

Dr. Beamish further testified with respect to the matter mentioned in the letter:—

Q. But what I want to get at is, this was written in January of 1945?

A. Yes.

Q. At that time you had a third or fourth formula. The formula that Shugar referred to would not be the latest formula, as it was in January, 1945?

A. I would say no.

Q. Because he did not have it?

A. No.

Q. That was the one he asked for and did not get?

A. He asked for our latest developments on that paper, and in addition he asked for the formula of another paper which we have not recorded, which offers great promise. He wanted that, and that

was the basis of the suspicion in the laboratory that all was not well, because there was no good reason for asking for that.

Q. Was this other paper also submarine detector paper?

A. Yes, and it offered very considerable promise under certain conditions; and he didn't know anything about the formula, except he knew it existed.

Q. How did he know?

A. Because we told him we had it.

Q. You told him you had one?

A. Yes.

Q. Are you still working on that one?

A. No, we have a better one; but it remains for future research in case certain alterations are made in the Asdic recording machine. That is the very point—I recall that now—that we were suspicious when he asked for that particular formula, because the Navy was not interested in it.

Q. The Navy was not interested in it?

A. No. The Navy did not know anything about it.

Q. Then your suspicion would be that he had in mind something outside his duties?

A. Something outside his duty. I can say that, yes; and that might have involved, in my mind, making use of it to some personal advantage.

Q. The last sentence in the paragraph above, Dr. Beamish, refers to this:

I must emphasize that should the Navy consider this cooperation desirable, I shall authorize certain information on the condition that it proceed directly through the regular chemical warfare channels.

Now, what were those channels; what was that channel?

A. The normal procedure was this. The reports would be sent in to Dr. McIntosh, who was secretary to the Director of Chemical Warfare, and he would have a list, a distributing list. They would go out from his laboratory to the various centres.

Q. You have referred to the submarine detector papers, the formulae for them, and the formula for the other paper you were working

on, for which Shugar asked. Did Shugar ever try to get from you any information about any other matters that he should not have had?

A. No. We were on the lookout for that. We rather expected that. I don't know why we expected that, but when we took over the atomic bomb work I did feel like watching out whether or not he would ask for any information; and while he did mention the subject, there was no indication of a request for information.

Q. At that time he was not allowed past the laboratory doors?

A. Nobody was permitted in. We particularly would not have Shugar in. The subject was just not discussed at all with anyone. I don't think I ever discussed fully with Anderson my suspicions of Shugar, because I felt that to a considerable degree my suspicions were not founded on actual data that I could put my fingers on.

Q. Quite so; but you at least told him you did not want Shugar in the laboratory?

A. Very definitely told him that.

This evidence fully satisfies us of the accuracy of both parts of the statement in the note

- (1) *"He agreed to work for us"*
and
- (2) *" . . . but with special precautions. He had been under observation."*

No one could possibly have given either Carr or Rogov the information that Shugar had *"been under observation"* except Shugar himself.

The order of events would appear to be as follows: Shugar, on his return from England went to Toronto on December 6, 1944, remaining there until December 11th. Here he saw Carr, as he himself says, and he also saw Dr. Beamish. We think that "Assignment No. 1" of December 16th was prepared as a result of Carr's report. We think it incredible that such a document could have been prepared directed specifically to Shugar as it was, and asking in detail for so much information as to which Shugar himself says:—

A. *Yes, it was possible for me to have obtained this information or the most of it.*

Q. *And do you know anybody else by the name of Shugar who could be in a position to give that information?*

A. *No.*

—had not Shugar given Carr the facts as to the work he was engaged in, and the establishments he visited in the course of his work, and indicated his willingness to answer such questions as the Russians might put to him with regard thereto.

It should be borne in mind that according to Rogov's notes of meetings in connection with the false passport matter, set out in Section V of this Report, it is stated that Rogov made Carr's acquaintance in July, 1945. Up to that time the person on the staff of the Embassy who was contacting Sam Carr or his alter ego, Henry Harris, was first "Leon" (Koudriavtzev) and then "Lamont" (Motinov) who in turn relayed these reports to Rogov. With respect to this Gouzenko testified as follows:—

Q. What I wanted to ask you is this. It looks to me as if Rogov would not have been able to make up a document like this for Shugar to answer if he did not already know that Shugar would be able to give that information. Would you agree with that?

A. That is right.

Q. In other words, that Sam Carr must have talked to Shugar, and found out that Shugar could furnish information of this type, and then Rogov prepared the document in detail?

A. That is right. It is absolutely right, and this happened. First of all Sam Carr proposed Shugar. He proposed Shugar, of course, knowing Shugar before. He knew what kind of information Shugar can give, generally at least. He knew that Shugar can give information about Asdic, so he told. If he told this only to Rogov, actually it would be enough for him to create this.

Q. That is Exhibit 19-C?

A. Yes, even without asking Moscow, just to confirm that; and this is actually what has happened. Sam Carr told Rogov about the possibilities of Shugar. Rogov, with the help of Pantzerney, this naval officer, who knew about Asdic and so on, gave this to Sam Carr, and Sam Carr furnished this to Shugar and Shugar looked at this, and he said, "This is too general. Give me more detailed request and I will give you it after, because there were so many books and reports about this Asdic, so give me more details of the request."

Q. I want to understand that. Do you say that after Sam Carr had given that, or had shown the document in front of you, Exhibit 19-C, to Shugar, that Shugar said that request was too general and that he wanted something more specific?

A. That is right.

Q. And how long after the date of that document, which is December 16, 1944, do you remember, if you do, when that information got back to Rogov?

A. That is right. This came back to Rogov, which means that Sam Carr returned this request to Rogov asking more details. Then a telegram was written by Colonel Zabin to Moscow, asking for more detail. About a week after this, or I think maybe half a month, Moscow obviously confirming its technicians, sent a list with specific numbers of these Asdics, and this was given to Shugar again.

Q. Just a moment. What do you mean by "specific numbers of Asdics"?

A. As I remember this telegram, it was "Asdic Nos. 203, 204, 207." There was a big list, each Asdic obviously having a number. So Moscow knew this, evidently, and knew what kind of numbers are in the United States Asdics, and they requested these Asdics. Then there came another instruction about installing Asdics on naval cruisers of the United States naval forces, and so on; specific questions, and this was again sent to Sam Carr from Rogov and again given to Shugar. Obviously he had no time to reply and furnish this information. (That is before September 5, 1945 when Gouzenko left the Embassy.)

A. These questions were written from the telegram and translated into the English language, and they were obviously written for Sam Carr to show to the agent. So I am sure that this particular list was in the hands of Sam Carr and maybe in the hands of Shugar. Afterwards it was glued to this page. During contact with Rogov, Sam Carr told him that he had shown the questions to Shugar and Shugar said that they were too general. Further than that on these questions there has been a great deal of material written. Therefore he asked for more detailed and technical questions on these questions, on these anti-submarine Asdics. Following this Moscow sent a long telegram showing in detail the questions, the numbers, the Asdic, No. 1 Asdic, No. 2 Asdic, and so on—not No. 2 and No. 1 but special numbers of Asdics. These Asdics appeared as separate inventions under definite numbers. So this shows that Shugar

agreed to work, and he was interested in receiving more detailed questions for the work he performed.

It is clear from the above that the numbers "203, 204, 207" are not actual Asdic numbers but are used by way of illustration only.

After Dr. Beamish had returned from his visit to Ottawa, Shugar began to realize the change in the atmosphere at the University of Toronto. We have no doubt that the reception accorded Shugar's request to Dr. Beamish and his exclusion thereafter from the laboratory produced in him the feeling that he was under suspicion and that he reported this in due course to Carr. Dr. Beamish, as he has said, did not suspect what Shugar's real object was. He thought Shugar was proposing to make some use of the information for his personal advantage. Shugar, however, was in fact suspected and realized it. In our opinion therefore Shugar did agree to communicate secret information and actually tried to obtain the above information from Dr. Beamish for that purpose.

It is altogether likely that Shugar would anticipate that Dr. Beamish would not fail to report his suspicion to Naval Headquarters and that this would put them on the watch. We think this is the explanation why the assignment of December 16th, later made specific as Gouzenko says, had not been fully complied with by Shugar by June 15th, 1945, and why Rogov, in "Task No. 2", required Carr to "*Inform us where does the matter stand in the execution of the previously assigned tasks for Lieutenant Shugar*". Shugar would naturally not be prepared to furnish any further ground of suspicion by trying to obtain at Naval Headquarters information asked for in the document but which he himself did not actually have.

We think that the inference which we have drawn from the Embassy document of December 16th, 1944, itself, that it was prepared from information given to Carr by Shugar, is supported by the evidence of Gouzenko, and confirmed by that of Shugar himself. He said:—

Q. On this page is pasted a typewritten document with an inscription in Russian translated 'Sam to Shugar'. You knew that the first name of Carr was Sam, didn't you?

A. Yes.

Q. Did you say yes or no?

A. That is correct.

Q. Do you know of any Shugar who is connected with the department in which you were working, when you worked in the navy?

A. No, I don't know of any other.

Q. You do not know of any other but you?

A. No.

A. He asked me what sort of places I visited.

Q. And with regard to paragraph 3; do you remember that?

A. I recall being asked about Radar; whether I was working on Radar.

Q. I am suggesting as a result of my investigation that Carr's curiosity was not idle but it was paid for curiosity. I am asking you if Carr ever tried to obtain any of this information from you?

A. Yes, of course. In terms of No. 6 or 5. When it comes to 5 my answer would be yes. With regard to the other questions I don't remember the terms. He may have asked general questions relating to that type of work but not in

Q. Not in those terms?

A. Not in those terms.

This last mentioned conversation with Carr, Shugar says, took place in December, 1944, or January, 1945.

Q. What did he ask you then?

A. Well, I recall vaguely having him and one or two other people around, and they were talking in bantering tones about my uniform and the braid, and wondering what kind of work I did; and it was just the same question. I had been accustomed to being asked by many people about my work, and all I would tell anyone was "research and development" although I did, I remember later on I may have said to people I was doing anti-submarine work.

Q. You said that to Carr?

A. I don't know whether I mentioned that to him or not, but I have mentioned to some people that my work was anti-submarine, or A/S work, as it is normally known.

Q. Were you not asked by Carr to give information to him as to what type of work you were doing while you were in the navy department?

A. Do you mean whether I was doing research or something else?

Q. Yes?

A. That is possible.

Q. Would you please listen to my question and answer it? I asked you what you told Carr, not what you may have told anybody else. Please put your mind on that question.

A. I told him where I went to and what places I visited.

Q. What places did you tell him you visited?

A. Springfield, Washington, Florida.

A. The only specific lab that I mentioned—I am sorry if I am a little vague—I do not remember specifically mentioning to Sam Carr or any particular individual the names, but I have mentioned to people that I visited the Naval Research Laboratory in Washington and the United States Navy Laboratory at Orlando, Florida, and Fort Lauderdale, but nothing very specific; saying that I visited Washington and that I was going to Florida.

Q. What I am not quite clear on is why you would tell Carr that you went to Springfield, Washington or Orlando; I cannot understand what his curiosity would be or why you would tell him about those places at all. Can you explain that a little better?

A. I did not think there was anything out of the ordinary about going to Springfield or what was at Springfield or what was at Orlando or what was at Washington. Everyone knows there are United States Naval Laboratories or factories in various towns that are making equipment. So that I really had no hesitation in telling anyone where I was travelling to.

Q. Yes, but why?

A. I think there was only one exception to that; I never mentioned to anyone going to Fairlie.

Q. You had gone to those places, Washington, Orlando, and Springfield, before you went to England, had you not?

A. Yes.

Q. You were not just back from those places when you had your talk with Mr. Carr. It was not just a case of telling Mr. Carr where you had been. I think you understand the purpose of my question much more clearly and much more quickly than you give the impression of doing. If you were just recently back from some one place, say England, Carr might be interested in inquiring and you might be interested in telling him about the places you had been, but these

were places you had been to before your trip to England. You understand my point?

A. I understand your point, but as I said before—

Q. You make your answer.

A. I had no hesitation in telling anyone where I had been.

Q. All right.

A. With one exception, that was Fairlie and Slough.

Accordingly, Shugar says that he told Carr that he was doing anti-submarine or A/S work; that Carr asked him specifically the "plants, workshops, scientific research institutes and laboratories in England and the U.S.A. which are making and planning the hydrophonic apparatus" (item 5 on the document of December 15, 1944); that Carr may have asked him general questions with regard to the other items on the document; that he told Carr "where I went to and what places I visited", and that he had no hesitation about mentioning and did mention to "people" (we have no doubt this includes Carr) that "I visited the Naval Research Laboratory in Washington and the United States Navy Laboratory at Orlando, Florida and Fort Lauderdale". From our observation of Shugar and on all his evidence, including the above express admissions, we think the inference from the document of December 16, 1944 itself is correct, that it was from information about his work given by Shugar to Carr, that the Russians were enabled to draw up the document.

Shugar also deposed:—

Q. All the information that you obtained for the purpose of carrying on this research work was of a secret nature?

A. Yes.

Q. Equally, the results which you achieved were of a secret nature?

A. That is correct.

A. Because my work was of a confidential nature.

Q. And why was it considered of a confidential nature?

A. Well, any work at all in the navy or the army or the air force is considered of a confidential nature.

In his attestation on February 5th, 1944, Shugar had declared:—

2. That I am desirous of being enrolled as an officer of the Royal Canadian Naval Volunteer Reserve Force, and that I accept and abide by all the rules of the said Force.

5. On being enrolled as an Officer in the Royal Canadian Naval Volunteer Reserve I undertake and bind myself:

(a) To serve from the date hereof for as long as my services may be required, being subject to the provisions of the Naval Services Act, and of the regulations made in pursuance thereof for the governing of the Royal Canadian Naval Volunteer Reserve, and to the customs and usages of His Majesty's Canadian Naval Service.

By Section 45 of the Naval Service Act (Revised Statutes of Canada, 1927, cap. 139) it is provided that the Imperial Naval Discipline Act of 1866 and amending Acts and the King's Regulations and Admiralty Instructions shall apply to the Naval Service in so far as these Acts and Regulations are applicable and not inconsistent with the Canadian Act or any regulations made under it.

Section 925a of the above mentioned King's Regulations states that it is a breach of the Official Secrets Act to divulge any confidential information or "any information acquired by him as a member of the Naval Service" unless authorized so to do.

Again, by Section 101 of the regulations passed pursuant to Section 42 of the Canadian Naval Service Act it is noted that the Criminal Code makes provision for the prosecution and punishment upon conviction of persons in His Majesty's service, who being in possession of "knowledge etc." communicate or "attempt" to communicate the information to unauthorized persons. The provisions in the Criminal Code referred to above are now to be found in Section 4(1) of the Official Secrets Act, 1939, which provides that:—

4.(1) If any person having in his possession or control any . . . information . . . which he has obtained or to which he has had access owing to his position as a person who holds or has held office under His Majesty. . . .

(a) communicates the . . . information to any person other than a person to whom he is authorized to communicate with, or a person to whom it is in the interest of the state his duty to communicate it; or

(b) uses the information in his possession for the benefit of any foreign power or in any other manner prejudicial to the safety or interests of the state;
that person shall be guilty of an offence under this Act.

(2) If any person having in his possession or control any . . . information which relates to munitions of war, communicates it directly or indirectly to any foreign power, or in any other manner prejudicial to the safety or interests of State, that person shall be guilty of an offence under this Act.

9. Any person who attempts to commit any offence under this Act or . . . does any act preparatory to the commission of an offence under this Act shall be guilty of an offence under this Act and shall be liable . . . to be proceeded against in the same manner, as if he had committed the offence.

The Deputy Director of Electrical Supply of the Navy testified as follows:—

Q. You do not make public the existence or location of the various laboratories where research work is being carried on because that is considered to be secret in order to protect the nation?

A. That is right.

Q. You do not make public the location of plants or workshops?

A. No.

Q. Where this apparatus was being made?

A. No.

Q. And for the same reason?

A. Right.

Q. Would a man knowing the position that Shugar had and knowing the various places where Shugar would travel to in the course of his duties; if that were known that would defeat the measures of secrecy to a certain extent?

A. Yes.

Q. Because it would indicate the various places, or there would be a possibility of indicating the places where these things were being manufactured?

A. At least the location.

Q. Was he given instructions not to disclose the places where he went to during those trips?

A. I would not say that. Perhaps we were not wary enough, but we never told any officer—

Q. Without giving him those instructions, would you say that a man in his position should understand that he must not disclose those places to anyone?

A. I should say so.

Q. What about warnings about disclosing information?

A. Well, in the course of his nominal duties any officer in that Directorate knew that Asdic was secret and he knew he was not to talk about it to anybody.

Q. Did he know that from notices that were circulated?

A. No. All the drawings are marked Secret. I know at the start every officer that came in, I used to personally tell them that this was a secret job and nothing was to be said about it, but I must say that in Shugar's case I did not do that. He came in toward the end and perhaps he was not specifically told it was secret, but there is no question or a shadow of a doubt that he did not know it was secret, because everything he handled was marked Secret.

Q. All the documents were marked Secret?

A. Yes.

Q. This morning you referred to the oscillator and the record paper device. Am I right in saying that the record paper shows in effect what has been detected by the oscillator?

A. That is right.

Q. You said this morning that all that work was secret. Are we to understand that transmission of any information with regard to that work to unauthorized persons is considered to be prejudicial to the safety or interests of the state?

A. Yes.

Q. And you also explained this morning that the parts constituting these various devices are manufactured in different plants?

A. Yes.

Q. Rather than being manufactured in one place. What is the purpose of that?

A. Well, there are two purposes, actually. Due to the nature of the equipment, it was first of all impossible to get it made in one place; and also because of the secrecy, it was decided wiser to spread it around through many manufacturers, so that no one had any definite idea of the complete set.

Q. And would that mean also that it would render very remote the chance of anyone knowing where he would have to go to seek the information?

A. That is right.

Q. In other words, if these parts are manufactured in several places, then it would take some time for someone to find out first where the various sources of information could be found?

A. That is right.

Q. And that is also part of the secrecy policy?

A. That is right.

In considering the evidence relating to Shugar, as well as that relating to other individuals, we think that it is to be regarded in the light of the presumptions established by the Official Secrets Act, 1939, and for that reason we have referred to that statute. In the present connection subsection 3 of section 4 of the statute is relevant:—

3.(3) In any proceedings against a person for an offence under this section, the fact that he has been in communication with, or attempted to communicate with, an agent of a foreign power, whether within or without Canada, shall be evidence that he has, for a purpose prejudicial to the safety or interests of the State, obtained or attempted to obtain information which is calculated to be or might be or is intended to be directly or indirectly useful to a foreign power.

The evidence discussed above goes much further affirmatively than the requirements of the above subsection. The Embassy records, which were never intended to see the light of day outside the Embassy are clear. Shugar's admissions as to his intercourse with Carr are equally incontrovertible and we have no difficulty in finding that Carr was a Soviet agent. The evidence of Dr. Beamish, which became available as the result of the publication of our interim report of March 14th, 1946, confirms, but in a most cogent degree, the opinion there expressed. It also establishes that Shugar actually tried, subsequent to the date of "Assignment No. 1" to obtain information as to the formula used in the preparation of the detector paper, a fact we did not have at the time of our interim report.

Shugar was an evasive witness where crucial matters were concerned. As an illustration, he exhibited that same concealment and air of furtiveness

shown by other witnesses with regard to the question as to whether he was or was not a Communist. Dr. Boyer had said of Shugar:—

Q. How long did you know him?

A. I have known him since the fall of 1944.

Q. And how well?

A. No, I take it back, I met him once in 1943.

Q. And again in 1944?

A. Again in 1944; yes.

Q. How well did you know him?

A. Well; I know him well.

Q. And do you know what his political ideology is?

A. Yes.

Q. And it is what?

A. Labour-Progressive, or Communist.

Lunan's evidence regarding Shugar was:—

Q. Was he also a member of the Communist Party?

A. He may be. His views are not as completely known to me, but he has Communist leanings, I would say.

One may contrast Shugar's own evidence:—

Q. And where do you stand?

A. I am not a Communist. I have certain ideas about unions, about conditions, current conditions and the need for remedying them, which I believe are my right as a Canadian citizen.

Q. Oh, unquestionably. All we are interested in are the facts. That is all we want to know. Nobody is attacking your opinions. All I am asking you about is, what are they?

A. I merely have the impression that some of these questions do not bear on the subject under discussion here.

Q. Is that why you are reluctant to answer them?

A. No. As a matter of fact I find it a little confusing to answer such questions as, what is a Communist. I am not reluctant to answer anything that I can answer in a clear manner.

Q. Any questions I have put to you, or any questions counsel have put to you so far you can be sure are all relevant; so if you want to go back over the ground and make any better answers or explanations, go ahead.

A. No; I would let those answers stand.

Q. You stated that you were not a Communist; that is, if I understood you correctly, you said you did not share all the ideas of the Communists, or of Marx?

A. You understand what, sir?

Q. I understood you to say that if by a "Communist" I meant someone who shares all the views of Karl Marx, and believes in the necessity of world revolution, and so on, which includes the change of government, that you are not one. Is that what you meant?

A. I have not read much of Karl Marx's views. I have read some of his writings.

Q. Then the next question is, would it be fair to say that if you are not a Communist, you have Communist leanings or sympathies? Would you say that this is a fair statement, a fair way to put it?

A. (No answer).

Q. You understand my question?

A. I understand your question.

Q. Would you please answer my question?

A. (No answer).

Q. Why does it take you so long to answer these questions, Mr. Shugar?

A. I do not quite understand the point of it, Mr. Commissioner.

Q. You do not need to understand the point of it. Just answer the question if you understand it, that is all. You are trying to look ahead and see if there is some point involved, but that is not your function. You are here to answer questions. If you do not understand the question you can ask for an explanation. If you do understand it, go ahead and answer it.

Q. What do you mean by a Communist? What do you understand by the term 'Communist'?

A. I would take it that a man who called himself a Communist was one who—I don't know.

Q. When he said you had Communist leanings was he telling the truth or not?

A. I would say not, no, sir.

Q. Have you or have you not Communist leanings?

A. What are Communist leanings?

Q. I am asking you, Doctor.

A. I have been asked this before and I believe I made some statement on it. I ask you what is your opinion of Communist leanings?

With respect to certain discussions he had from time to time with brother officers in the Navy he said:—

Q. And did you, in any of those, from time to time express your own views?

A. I remember several very active discussions on unions and on the Ford strike.

Q. In which you expressed your own views?

A. Yes, Mr. Commissioner. I expressed my own views.

Q. And would it have been a fair or an unfair conclusion for any of the officers who heard you or who took part in those discussions to have concluded that you were either a member of the Communist Party or were at least sympathetic with that Party?

A. I would think so, yes.

Q. You think it would be a fair conclusion, deduction or inference that they could come to such an opinion?

A. No, that was not the way the question was put to me, sir.

Q. Then I will ask the reporter to read back the questions and answers.
(Reporter reads):

Q. And would it have been a fair or an unfair conclusion for any of the officers who heard you or who took part in those discussions to have concluded that you were either a member of the Communist Party or were at least sympathetic with that Party?

A. I would think so, yes.

Q. Will you answer it now? Because I do not understand those answers. I am just asking you whether a person listening to those discussions and hearing you express your views would or would not come to the conclusion that you were either a member of the Communist Party or sympathetic with it? No, do you say they would come to such a conclusion or would not come to such a conclusion fairly?

A. That would of necessity depend upon the person involved.

Q. Dr. Shugar, may I ask you this. Is your wife a member of the Communist or Labour-Progressive Party?

A. I am not sure, sir.

On all the evidence we have no doubt whatever that Dr. Boyer's evidence regarding Shugar is correct. We think that Shugar is a convinced and ardent Communist, and realized, as did other witnesses, that Communism was the stream which furnished the agents which the Russians used in this country. For that reason, in accordance with the course he had determined to follow, he decided to keep his position secret if he could. Shugar was a member of at least three Communist study groups or cells in Montreal, Toronto and Ottawa. He characterized these as studying merely "socialism and trade unions." He refused to give the name of any of the members of the Toronto group except one.

In Lunan's office there was found a desk telephone directory containing Shugar's name and number. The diary of Nightingale had the same information. A book kept by Boyer also had Shugar's name and address, and Boyer, as he said, knew Shugar well. Shugar and Durnford Smith knew each other from undergraduate days and they were members of the same cell in Ottawa as was Mazerall. Shugar and Agatha Chapman were also well-known to each other in Ottawa. Shugar, Benning and Gerson were friends and visited back and forth at each other's houses. Shugar also knew Pavlov, the Second Secretary of the Embassy and head of the N.K.V.D. in Canada. He also shared living quarters in Ottawa with Poland.

The Official Secrets Act by section 3 (2) further enacts:—

3.(2) On a prosecution under this section, it shall not be necessary to show that the accused person was guilty of any particular act tending to show a purpose prejudicial to the safety or interests of the State, and, notwithstanding that no such act is proved against him, he may be convicted if, from the circumstances of the case, or his conduct, or his known character as proved, it appears that his purpose was a purpose prejudicial to the safety or interests of the state; . . .

Looking at the evidence from this standpoint, we think that, from the circumstances disclosed in evidence including Shugar's conduct and character as revealed before us by him in the witness box, and in the evidence of other witnesses, Shugar did "agree to work for us" as Rogov recorded and did in fact furnish information which he had learned as a result of the post he occupied, and that his purpose was in furtherance of the objects of Zabotin's organization to the prejudice of the safety and interests of this country.

When the evidence of Dr. Beamish was adduced, as the result of the publication of our interim report referring to Shugar, we communicated with Counsel who had represented Shugar before us, and made the evidence available to him, advising him that his client would have full opportunity to be heard further or adduce further evidence should he desire to do so. In the course of Counsel's remarks on that occasion he took the position that a charge had been made against his client in the interim report and that this charge did not "stand up" later. It appeared that, following the interim report which dealt briefly with Shugar, among others, an information at the instance of the Attorney-General of Canada was laid against Shugar in the criminal courts and that the magistrate holding the preliminary inquiry with respect to this charge refused to commit Shugar for trial. As this matter has been raised before us we think we should deal with it.

We had before us the following evidence:—

- (a) Shugar's admission that he either knew or could inform himself of the information asked for in the document prepared by Rogov dated December 16, 1944.
- (b) Shugar's admission that he had talked with Carr in 1944 and 1945 and as late as July of the latter year.
- (c) Shugar's admission that Carr had questioned him on matters coming within items 3 and 6 of that document.
- (d) Gouzenko's evidence that the document itself had been prepared as the result of information given by Carr, received by the latter from Shugar. This would arise in any event as an inference from the document itself. We drew the conclusion from the document and Shugar's evidence, that he gave Carr information as to the establishments he visited, the kind of work he was engaged upon, and sufficient other information to enable Rogov to prepare the document.
- (e) Gouzenko's evidence that a further and more specific "task" was drawn up by Rogov, on instructions from Moscow, as the result of Carr's report that the questions asked in the document of December 16th, 1944, were stated by Shugar to be too general.
- (f) The statements endorsed on the document of June 15, 1946, that Shugar had 'consented to work for us'. The document was made by Rogov as a record of events for his information and future use and it was not intended for the eyes of anyone outside of the Embassy. All the other statements in the note

which embodies the statement 'he has consented to work for us' have been established to be true in substance and there is no reason to regard this particular statement differently.

No part of the information in the endorsements could have been obtained by Carr from anyone but Shugar himself. We have heard and seen Shugar and have heard all the evidence relating to him and we were and are quite satisfied that the statements referred to correctly reflect the fact of his agreement.

- (g) We also had the evidence of Shugar's background and associations.

We do not know what evidence was before the magistrate but it was on the above evidence that in our interim report of March 14, 1946 we expressed the opinion that there would seem to be no answer "on the evidence before us", to a charge of conspiring to communicate secret information to an agent of the U.S.S.R., in other words, that Shugar had agreed to do something prohibited by the Official Secrets Act.

In considering the evidence and the effect to be given to it, it is necessary to understand the term "conspiracy" and by what evidence it is to be established.

By the Criminal Code "Conspiracy" is defined as an agreement between two or more persons to commit an indictable offence. In the present instance the indictable offence is violation of the provisions of the Official Secrets Act, 1939. As to the evidence by which it is to be made out, Kenney, in his *Outlines of Criminal Law*, 3rd Edition, Page 291, says:—

As to the evidence admissible, the principles are just the same for conspiracy as for other crimes. But, owing to the peculiarity of the circumstances to which they are here applied, there often appears to be some unusual laxity in the modes of giving proof of an accusation of conspiracy. For it rarely happens that the actual fact of the conspiring can be proved by direct evidence; since, naturally, such agreements are usually entered into both summarily and secretly. Hence they ordinarily can only be proved by a mere inference from the subsequent conduct of the parties, in committing some overt acts which tend so obviously towards the alleged unlawful result as to suggest that they must have arisen from an agreement to bring it about. . . . The range of admissible evidence is still

further widened by the fact that each of the parties has, by entering into the agreement, adopted all his confederates as agents to assist him in carrying it out; and consequently that, by the general doctrine as to principal and agent, any act done for that purpose by any of them will be admissible as evidence against him. Accordingly, evidence must first be given of overt acts committed by each individual, sufficient to show that he was a party to the conspiracy; and thereupon, as soon as the conspiracy has thus been brought home to them all, any act done in connection with it by any one of the conspirators will become admissible as evidence against each and all of the others. . . .

That there was an existing conspiracy between members of the Soviet Embassy in Ottawa and certain Canadians is overwhelmingly established. The question is: does the evidence before us establish that Shugar was a party to it? In the first place the Russian documents kept by co-conspirators in furtherance of the common design and necessary thereto do evidence "summarily and secretly" that he "*consented to work for us*". Zabolotin's conviction both as to Shugar's willingness and reliability is so strong that in the telegram to *The Director* of August 2nd he recommends that Carr be eliminated as the contact between his organization and Shugar because it was "regarded to be in the best of interests to entrust the contact with *Prometheus* (Shugar) to *Brent* (Rogov)".

In the second place sub-section 3 of section 3 of the Act provides that the fact that a person charged with an offence under the Act:—

has been in communication with . . . an agent of a foreign power . . . shall be evidence that he has, for a purpose prejudicial to the safety or interests of the state, obtained or attempted to obtain information which is calculated to be or might be or is intended to be directly or indirectly useful to a foreign power.

Sub-section 4 of the same section provides that:—

(a) a person shall, unless he proves the contrary, be deemed to have been in communication with an agent of a foreign power if—

(i) he has . . . consorted or associated with such agent.

Clause (b) further provides that:—

an agent of a foreign power includes 'any person who is or has been or is reasonably suspected of being or having been employed by a foreign power'.

We were and are quite satisfied that Carr was a Russian agent. The evidence before us as to that is overwhelming. By the terms of the statute then, Shugar's own evidence of communication with Carr on the very significant occasions when that took place, "shall be evidence that he has for a purpose prejudicial to the safety or interests of the state, obtained or attempted to obtain information which is calculated to be or might be or is intended to be directly or indirectly useful to", Russia. Apart from this presumption, the information which the evidence affirmatively establishes was in fact given by Shugar to Carr in December, 1944, was, on the lowest basis, of use to the Russians in enabling them, as part of the operations they were carrying on, to prepare the document of December 16th, even if that document was regarded by Shugar as too general in its terms to be capable of specific answer.

Section 4 (1) of the Act says this:—

4.(1) If any person having in his possession or control any . . . information . . . which he has obtained . . . owing to his position as a person who holds or has held office under His Majesty. . . .

(b) uses the information in his possession for the benefit of any foreign power or in any other manner prejudicial to the safety or interests of the State;

that person shall be guilty of an offence under this Act.

The use of such information for the benefit of a foreign power is thus declared by Parliament to be "prejudicial to the safety or interests of the state". This is not a question which has been left to the judgment of anyone else.

Accordingly the situation before us resolved itself thus. The Embassy documents state that Shugar did conspire. What is the evidence from his conduct of any "overt act", the inference from which constitutes proof of that agreement? Even leaving out the affirmative evidence referred to above, there was the fact of his being in communication with "an agent of a foreign power" (Carr) which "shall be" evidence that he has obtained or attempted to obtain information for a purpose prejudicial to the safety or interests of the State. That which the statute makes evidence (its weight of course

being a matter for the tribunal concerned) cannot be regarded as no evidence, and as we did not and do not believe Shugar's denial there would seem to be, as we reported, "no answer on the evidence before us, to a charge of conspiracy to communicate secret information to an agent of the U.S.S.R." Not only so, but there was and is this additional affirmative evidence that Shugar gave to Carr the specific information which enabled the Russians to prepare the document of December 16, 1944. It may be that another tribunal might arrive at a different conclusion on the evidence, but it cannot be said that there was no evidence upon which the conclusion to which we came, could not properly be based.

The opinion we expressed is now confirmed by the evidence of Dr. Beamish and adds the additional fact that Shugar endeavoured, after meeting Carr in December, 1944, to obtain the composition of the new recorder paper, information to which he was in no way entitled. We are quite prepared to draw the inference, that this act of his was in order to enable him to pass on this information to Carr. We think that, in the circumstances, there is no other reasonable assumption.

Shugar was, through his Counsel, informed of the depositions of Dr. Beamish and invited to be heard with respect thereto, but elected not to do so. This, in our opinion, is an admission on Shugar's part of the facts deposed to by Dr. Beamish. Shugar's Counsel in his letter declining on behalf of his client, the opportunity to make any answer to the new evidence, took the following position: "I am prepared to answer any charge of misconduct against my client which the Commissioners may see fit to report upon. I do not propose to produce evidence to answer evidence in the absence of such a charge being made."

We think this position misconceives the provisions of the Inquiries Act. That position assumes that a Commission, under the statute, must reach a conclusion unfavorable to a witness before it, and thereafter hear evidence or argument on behalf of that witness directed to inducing the Commission to change its mind. We do not think the statute so irrational.

Having, therefore, been directed by the terms of Order in Council P.C. 411 to "inquire into and report upon which public officials and other persons in positions of trust or otherwise have communicated, directly or indirectly, secret and confidential information, the disclosure of which might be inimical to the safety and interests of Canada, to the agents of a Foreign Power and the facts relating thereto and the circumstances surrounding such communication", we are of opinion that Shugar not only agreed to communicate such information but that the evidence before us shows that he did so communicate.

SECTION III. 9

[HAROLD SAMUEL GERSON] PF123.077 Montreal and Ottawa

Gerson (cover-name *Gray*) was born in Montreal on the 17th April, 1905, of Russian parentage, both father and mother having been born in Kiev. He holds the degrees of Bachelor of Science and Master of Science in Geology from McGill University. Previous to his employment with the Canadian Government or Agencies thereof he was engaged as a geological engineer with mining companies.

At the end of December, 1941, he applied for and obtained employment in Montreal with Allied War Supplies Limited, a Crown company incorporated to supervise the construction of facilities for the production of chemicals and explosives and later the production of these materials. Gerson was Assistant to the head of the Production Control Committee. Gerson's duties consisted in analysing production figures for all the filling plants, and maintaining production records. He remained with the Allied War Supplies, Limited, until July, 1944.

Following this Gerson was employed on the staff of the Department of Munitions and Supply in Ottawa, until in or about November, 1945. At that time he was Secretary, and Chief of the Records Division, of the Ammunition Production Branch. He then became, and still was at the outset of this Inquiry, an employee of War Assets Corporation, also a Crown company.

While still with Allied War Supplies, Limited, Gerson was, on occasion, on loan to the Department of Munitions and Supply, and even after going to War Assets Corporation he had still some duties to perform in that Department.

It was on the recommendation of Dr. Boyer, upon whom we report in Section III. 11 that Gerson obtained his first appointment in the Government Service, and it was in turn through Gerson that Benning, his brother-in-law—upon whom we also report in Section III. 12—got his appointment with Allied War Supplies Corporation in June, 1942.

In the course of his various duties Gerson obviously had access to much secret information, and in connection with all his positions he was under an oath of secrecy.

Amongst the Russian documents there are eleven relating directly to Gerson, whose cover-name was *Gray*.

1ST DOCUMENT

From this document it appears that before Zabotin's arrival in Canada in June, 1943, Gerson had already been a member of the Montreal espionage group, part of the Sokolov (*Davie*) organization, under Fred Rose since 1st August, 1942. This is shown by an extract from one of Zabotin's notebooks, which outlines the espionage network as he found it. Part of this outline, which is set out in full elsewhere in this Report, reads as follows:—

Prior to Re-organization

Director Davie

1. Fred — director of corporation.

Previously worked at the neighbours, up to 1924.

.....

Fred's Work

Group in Montreal (activists)

1. Gray

Jew. Head of a section of the Directorate for securing war materials for the Allies. Taken on to the work on 1.9.42. He works well. Gives materials on shells and cannons (on films).

2. Green

PF. 709568.

.....

From the above it appears that Gerson had been only nine months in the employment of Allied War Supplies, Limited, when he was "taken on to the work" for the Russians and was giving them "materials on shells and cannons on films" (photos)—all matters with which he had to do in the course of his employment. Questioned on his associations with Rose, (*Fred* or *Debouz*) Gerson said:—

Q. You know him personally?

A. No.

Q. You never met him personally?

A. Well, I would go to a party and he would be there, if that is what you mean by 'personally'.

Q. Would you be introduced to him, and would you know him to speak to?

A. Yes.

Q. And where would you meet him? First of all, how often have you met Mr. Rose under circumstances such as those?

A. Well, that is a hard question to answer, because it might be three or four times or it might be a dozen times.

Q. Just at the present moment — take your time and search your memory, and see if you can tell the Commission somewhere within the three or four up to a dozen times?

A. Well, you can say in ten years, ten times. It might not be for a year or so, and then it might be two or three times. You see, we were living out of town, and when we would come in, if there was a party we might meet.

Q. You have selected a period of ten years. Would that take you back to the time you met Mr. Rose first?

A. The first time I ever met him was, I was invited to a picnic, and I didn't know what it was for but apparently it was for Mr. Rose. That would be at least ten years.

Questioned later on the above document, Gerson said:—

Q. Then under the heading of '*Fred's work*' passing over the balance of the first paragraph — this is Mr. Rose's work —

1. *Gray*—

That again has been identified as the cover name for Harold Samuel Gerson.

Group in Montreal (activists). Jew. Head of a section of the Directorate for securing war materials for the allies. Taken on to the work 1.9.42. Works well. Gives material on shells and cannons (on films).

Can you suggest any reason why the Russian Embassy should credit you with this work?

A. No, sir.

Q. I did not hear that answer.

A. No, sir.

Q. You mean that from September of 1942 you had never given any information of any kind to Mr. Rose?

A. Yes, sir.

Q. But you had met him a number of times?

A. Yes, sir.

Q. And spoken to him?

A. Yes, sir.

2ND DOCUMENT

From the second document, a telegram addressed by Zabotin to *The Director* on 28th April, 1944, it appears that the possibility of using Mrs. Gerson's acquaintances in Roumania for the secret transmission of letters was submitted to Moscow.

The telegram reads as follows:—

To the Director.

Gray's wife has relatives in Bukovina and Bucharest. Apart from relatives she has many acquaintances among doctors and other specialists. Recently Gray handed over to Davie a reply from the Canadian Red Cross of March 1942, wherein it was announced that the relatives of Gray's wife are in their own places, that is, in Roumania. Gray's wife asked through Gray to advise as to whether it is possible to send them money or other things.

Davie replied that this was a complicated and difficult question, and that therefore, I could not promise anything. Would suggest that he secure addresses and letters from Gray's wife with a proposal of contact with a man for these acquaintances. In the letters it could be proposed (that is through Gray's wife—will agree to that).

That they contact with the person who delivers the letter. If you agree to such an idea—we shall receive the—addresses and letters from the wife of Gray. Roofs—the doctors and other specialists. Letters from Lesovia—there are no suspicions against us.

Grant

28-4-44

As to this document, Gerson said.—

Q. What do you say about that?

A. I don't remember that. I don't remember a letter from the Red Cross

Q. But you might have had such a letter? You do not deny that?

A. No. No; why — I don't know why I should receive anything from the Red Cross. I never applied to them.

Q. But your wife apparently did?

A. It is possible.

* Faint type indicates words crossed out in original documents.

Q. You told us so yesterday.

A. Did I?

Q. Yes. You volunteered the information here yesterday when you were being examined. It is a fact, is it not, that either you or your wife got a letter from the Red Cross about her relatives in Roumania?

A. No. The family may have got a letter. I wouldn't say it was a fact that it came to either me or my wife. It may have come to the family.

Q. We will have to look that up and read it to you, then; but it is a fact that yesterday you did say a letter had been received from the Red Cross about your wife's relatives in Roumania. I don't know whether you received it or your wife received it, but according to your own evidence such a letter was received.

Now, why would Colonel Motinov in the Russian Embassy advise the Director at Moscow that you had handed Sokolov a letter of the Canadian Red Cross about your wife's relatives in Roumania?

A. You got me.

Q. What is that?

A. I don't know sir.

Q. You know Sokolov?

A. No, I don't.

Q. Never met him?

A. No.

Q. How would they know that?

A. I do not know.

Q. Unless you told them. How did they imagine all that? How would they know that, except that you would tell them?

A. Not necessarily. They have a family there, five girls and their husbands; they might have been just as interested as my wife.

Q. Let us look at the next sentence:

Gray's wife asked through Gray to advise as to whether it is possible to send them money or other things.

That indicates that so far as the Russian Embassy was concerned you, on behalf of your wife, had asked whether the Director in Moscow could arrange to send money or other things to your wife's relatives in Roumania. Why should they say that, Mr. Gerson?

A. I do not know.

Q. You have no idea at all?

A. No, I have no idea.

Q. Then it goes on:

Davie —

That is Sokolov.

... replied that this was a complicated and difficult question, and that therefore, I could not promise anything. Would suggest that he secure addresses and letters from Gray's wife—for these acquaintances. In the letters it could be proposed (that is through Gray's wife—will agree to that).

That is, Gray whom they think is Mr. Gerson, will agree to that.

That they contact with the person who delivers the letter. If you agree to such an idea—we shall receive the—addresses and letters from the wife of Gray.

That is, if Moscow agrees to the suggestion.

Roofs—the doctor and other specialists.

That means that they may go forward under the cover of the Doctor and other specialists.

Letters from Lesovia.

Did you ever hear of Lesovia?

A. No, sir.

Q. Would it surprise you to know that that is the term that is applied to Canada in the secret communications of the Russian Embassy?

A. It would.

Q. It would surprise you?

A. Yes.

Q. *There are no suspicions against us.*

Can you account for that in there in any way?

A. No, sir.

Q. Yesterday, Mr. Gerson, I asked you this question:—

Q. Are Mr. and Mrs. Schlein living in Montreal now?

A. Yes.

Q. Are there any members of their family living in Radautz at the present time?

A. It is possible.

Q. Don't you know?

A. No. I think they got a letter from the Red Cross saying where they were, but just what part of the world they were in, you have me.

You see, you volunteered that the family had got a letter from the Red Cross about relatives in Roumania. How could that have got into the private and secret records of the Russian Embassy, Mr. Gerson?

Q. You are being asked a question.

A. I am sorry. I do not know, sir.

Q. You have no suggestion to make?

A. No.

Q. Mr. Gerson, that is not an answer at all. Did not you come here yesterday and tell us that your wife's people did get a letter?

A. About —

Q. Just a minute — did get a letter from the Red Cross with regard to your wife's relatives. We are referring this morning to an original document from the Russian Embassy which refers to this fact and this morning you have not any recollection about any such letter at all. You are not being quite fair with us.

A. Now, I will tell you what you do — you get in touch with the Red Cross and ask them the date of the letter.

Q. I am just dealing with you at the moment. I am referring to what you said yesterday and referring to the fact —

A. I told you —

Q. Just a minute.

A. I am sorry.

Q. Referring to the fact that you have no recollection of what you said yesterday and the additional fact that what is put before you, that that very letter, an original letter from the Russian Embassy, refers to that and then you say you have no recollection of anything at all, even what you said yesterday, in connection with the matter. Are you being fair with this Commission? You do not mean, Mr. Gerson, that if you were sitting here and I was sitting there and told you a story like that you would accept it?

A. I do not know.

Q. Oh, yes, you do. You just go ahead and tell us about it.

A. There is nothing to tell. I am trying to be —

Q. That is, you have made up your mind you won't tell, is that it?

A. No.

3RD DOCUMENT

In May, 1945, the Deputy Minister of Munitions and Supply, in whose Department Gerson was then employed, addressed the following letter to the organization therein mentioned:—

DEPARTMENT OF MUNITIONS AND SUPPLY

All Crown Plants under Private Management

To: Crown-owned Companies
Directors General of Production Branches

From: G. K. Sheils

May 5, 1945.

Re: Closing down of Crown-owned Plants,
Manual of Procedures,
Appendix III—Engineering,
Production and Technical Data.

With reference to our Circular Letter of 10th March in the above connection, enclosed are five copies of a revision of Appendix III. Please insert each in the appropriate place in the relative manual and destroy the existing Appendix III.

The three arms of the Department of National Defence have agreed to review the available data with a view to a selection of the portions thereof which they may wish to take over. However, they have not a complete list of all the Stores we produce and we should like the Production Branches and the Crown-owned Companies engaged in the supervision of production to supply them with such lists irrespective of whether the Stores were produced for Canadian account or for some other purchaser. Naturally different lists will be needed for each of the Services, containing only those items in which they may be specially interested. The preparation and despatch of these lists should be completed not later than 31st instant. Following receipt of such lists the respective Services will advise the items in which they are particularly interested and request lists of the information available, as set out in Appendix III.

The Post War Arsenals Board, who are interested in the retention of this technical information, have agreed upon the following locations for the storing of the material:—

- | | |
|-----------------------------------|--|
| 1. Guns, Mountings, Etc. | Dominion Engineering Works Ltd.,
Longueuil, Quebec. |
| 2. Gun Ammunition | Lindsay Arsenal,
Lindsay, Ontario. |
| 3. Small Arms and
Machine Guns | Small Arms Limited,
Long Branch, Ontario. |
| 4. Small Arms
Ammunition | Dominion Arsenal,
Quebec. |
| 5. Ammunition Filling | Defence Industries Limited,
Cherrier, Quebec. |

- | | |
|---|---|
| 6. Explosives and Chemicals | Not yet determined. |
| 7. Optical and Fire Control Instruments including Radar | Research Enterprises Limited, Leaside, Ontario. |
| 8. Automotive and Tanks | Orleans Proving Ground, Montreal Road. |
| 9. Radio and Communication Equipment | Signals Workshops, Eastview. |
| 10. Chemical Warfare Equipment | Respirator Assembly Plant, Ottawa, Ontario. |
| 11. Cartridge Cases | Not yet determined. |

The Board suggest that those items of tooling which are to be retained should also be sent to the above points.

(Sgd.) G. K. Shiels
Deputy Minister.

A summary of that letter found its way to Zabotin, who sent it to *The Director* in a telegram dated 2nd August, 1945, which reads as follows:—

234

To the Director,

Gray has received a copy of a letter of the Deputy Minister of Munitions and Supplies G. K. Shiels to all government companies, to government companies which are under private management and to the principal directors of production branches, May 194. I report the contents of the letter:

All three branches of the armed forces of the Department of National Defence have agreed to review all the facts available from the point of view of selection and definition of the necessary arms and munitions which they will need. However, they (the army, navy and air force) still have not got a complete list of the necessary supplies which we are producing. We would like the production branches and government companies to take part in compiling lists of the production turned out, to be forwarded to the corresponding branches of the armed forces, indicating for whom the designated arms and munitions were produced (for the needs of Canada or for orderers?). Naturally each branch of the armed forces needs different lists corresponding to their requirements. The preparation and distribution of these lists must be completed by

the 31st of May of this year. On receipt of the said lists all the three services will indicate the category of the materials of arms and equipment in which they are more interested. The council of the post-war arsenals which is interested in preserving such technical information, has a contract on the following dislocation of supplies and materials:

- (1) Guns, mountings, etc. Dominion Engineering Works Ltd., Longueuil, Que.
- (2) Shells for guns, Lindsay Arsenal, Lindsay, Ontario.
- (3) Infantry arms and machine guns—Small Arms Ltd. Long Branch, Ontario.
- (4) Ammunition for infantry arms—Dominion Arsenal Quebec.
- (5) Ammunition Plant, Defence Industries Ltd., Cherrier, Quebec.
- (6) Explosive materials and chemicals, not decided.
- (7) Optical appliances, instruments for radio locators—Research Enterprises, Ltd.
- (8) Automobiles and tanks—Orleans Proving Ground, Montreal Road.
- (9) Radio and other means of communication—Signal Workshop, Eastview.
- (10) Shell cases—not decided.
- (11) Appliances for chem. defense—Respiration Assembly Plant, Ottawa, Ontario.

Deputy Minister (Signature)
Grant

2.8.45.

Questioned on this matter Gerson said:—

Q. Will you look at Exhibit No. 215, Mr. Gerson, which is a letter of May 5, 1945, from Mr. G. K. Sheils, to All Crown Plants under Private Management; Crown-owned Companies; Directors General of Production Branches. Do you recognize the signature of Mr. Sheils—

A. Yes.

Q. The Deputy Minister of the Department of Munitions and Supply?

A. Yes.

*Faint type indicates word crossed out in original documents.

Q. Just confine yourself to this letter, please. Do you recall having seen that letter before?

A. No.

Q. At that time were you in one of the Departments indicated to which this letter would go? Were you in a Crown Plant under private management?

A. A Directorate General of Production Branch.

Q. So this would go to the Director General of the Production Branch?

A. Yes.

Q. And in May, 1945, Mr. Malley was the Director General of that Production Branch?

A. Yes.

Q. And you were his active assistant?

A. Yes.

Q. You were Secretary?

A. I was everything; I was more than Secretary, actually.

Q. You were at least Secretary?

A. I was Chief of the Records Division.

Q. I think some witness said that you were also Secretary?

A. Yes.

Q. Mr. Gerson, to put it shortly, the information in that letter would have to come to you in some form so that you would understand what was going on?

A. Well, you see there is a —

Q. Is that right or is it wrong?

A. I just wanted to explain how it would get to me.

Q. You answer my question first?

A. Yes.

Q. All right make your explanation.

A. They would have a mailing list. It is pretty hard, probably, for people to understand just how this thing worked. This was addressed to all Crown-owned Companies; all Crown plants under private management and Directors General of Production Branches. The original letter would go over to what they called the mailing room where the girls would type them and they would have the mailing list. They would send this letter—it would go to everybody

on that mailing list, although it was addressed only to the Directors General of Production Branches.

Q. So you would see it?

A. I would be on the mailing list and I would get my own copy.

Q. If you did not see that piece of paper, you saw an absolute copy?

A. I saw this letter.

Q. Exhibit No. 20-CC, which is a translation of the translation, does contain the essence of Sheils' letter, does it not, and a great deal of the detail?

Q. Do you agree with that?

A. Yes.

Q. The telegram sent from the Russian Embassy to the Director makes the statement that *Gray*, by whom they understood Gerson, has obtained a copy of this letter. The first thing is that there is a letter; there is a letter of G. K. Sheils. The second is that the contents of the letter are in essence, as we have agreed, set out in the telegram?

A. Yes.

Q. Now then, what I was getting at is this: Have you any explanation or guess as to why the Russian Embassy here would be telling Moscow that you, Gerson, whom they called *Gray*, had made the contents of Mr. Sheils' letter available to the Russian Embassy? You see how my question is framed? Have you any explanation of why they should tell Moscow, "Here is Sheils' letter and we got it from Gerson, whom we call *Gray* for the purposes of this correspondence."

Q. What do you say?

A. No, sir, I have no explanation.

Q. Have you any knowledge?

A. No.

Q. It is rather extraordinary?

A. It is.

4TH DOCUMENT

The fourth document consists of a page from a looseleaf notebook, handwritten in English on both sides and reading as follows:—

The gun being slightly elevated, some liquid RDX/TNT flowed back along the grooves into the chamber. The

shells were rammed by hand, no great force being necessary. Result was normal.

Firing 1 (c) Five more shells were taken out of the bath and laid on their sides. Exudation was noticed on one shell, but was very slight. This was after three hours' immersion. The first shell was allowed to cool in the gun and the others in the air. Care was taken that the position of the shell was kept the same both outside and inside the gun. One shell (round 15) apparently broke up outside the gun, but the cause could not be ascertained, since the fragments were not recovered.

Firing 1 (d) The remaining shells were treated as in firing 1 (b) except that they were allowed to cool either before or after loading. During the addition of RDX/TNT into the bore, the gun was kept at a slight elevation for 3 rounds; in the final two rounds the liquid was added with the gun in a horizontal position, the shell loaded and allowed to cool in the same position. Firing result was normal.

Observations made during the trial indicate that the filling becomes sufficiently liquid after heating for 1 hour at 100°C for the space above the gaine to be filled with liquid. Exudation from the shell was not observed until the shell had been kept at 100°C for over 3 hours and then only very slightly in the case of one round. After 5½ hours heating all shell showed a slight amount of exudation but in no case did it approach the quantity of explosive added during the trial.

It appears therefore not only that there is very little exudation of RDX/TNT from the 5.25 inch shell at 100°C, even after prolonged heating, but also that artificial fouling of the shell and gun is not likely to endanger the gun when firing either heated or cooled shell. The uniformly satisfactory character of the results is, however somewhat marred by the suspected break-up of round 15, and the possibility of an ignition of the filling leading to a burst well beyond the muzzle cannot be discounted.

The evidence to date from firing trials with heated shell is generally reassuring and gives no evidence for supposing that there is more risk of a bore premature

in 8" than in smaller guns. The case for carrying out a further firing with 8" shell hinges mainly on the quantity of filling that is likely to be exuded under actual hot gun conditions. Useful evidence on the point would be obtained from a "boiling" trial under the conditions proposed by D.N.O. The trial can be undertaken in this department if the Board concur and should preferably include both RDX/TNT and TNT fillings for comparison. Three shell of each filling would suffice. The result of such a trial would enable firmer recommendations to be made regarding a firing trial.

A search in the "Proceedings of the Ordnance Board" reveals that this document is a verbatim excerpt of the remarks made on the conduct of trial of "S. G. 2" and the results obtained. Questioned on this document Gerson testified:—

Q. Now I am showing you Exhibit 209, which is a file binding up certain proceedings of the Ordnance Board. Did you ever see these proceedings, or similar proceedings?

A. Yes.

Q. Where would you see them?

A. In the office.

Q. In which office?

A. What do you mean by that?

Q. Munitions and Supply, or what?

A. Munitions and Supply.

Q. And in what part of the office would these proceedings be kept?

A. They would be kept in a filing cabinet.

Q. And assuming that you wanted to see the proceedings of the Ordnance Board which would be in that record room, what would you do; just go in and look at them?

A. No, you would take them out and put a card in with your name on it, and the date.

Q. And how long could you keep them out of that room?

A. You could keep them out as long as you wanted to, as long as you did not take them out of the building.

Q. They are confidential documents, of course?

A. Yes.

Q. And are so marked-

A. Yes.

Q. Did you say yes?

A. To what?

Q. Are they confidential documents?

A. Yes, they are.

Q. And are so marked on the face of them?

A. Yes.

Q. Did your work in the Department of Munitions and Supply require you ever to get out these proceedings and examine them or make extracts from them?

A. Well, in the sense that I was Secretary of this Production Committee, in which technical matters would come up, and to know what was going on, it would involve that.

Q. And can you recall any occasion when you had to do that?

A. Not any specific occasion.

Q. Do you recall ever having made extracts from any of these proceedings?

A. I imagine so.

Q. We will have to have a little better answer than that. Think it over and see if you can answer it more directly than "I imagine so."

A. O.K. You repeat your question again.

Q. Do you recall ever having made extracts from the proceedings of the Ordnance Board?

A. I do recall -

Q. What is the answer?

A. Are you trying to pin me down to a yes or no answer, and I am trying to get it straight in my mind. Yes.

Q. You do?

A. Yes.

Q. All right. On how many occasions did you do that?

A. I don't remember.

Q. Then can you remember any specific item that you were required to extract or copy?

A. No.

Q. You cannot?

A. No.

Q. You say you cannot recall any specific item that you were ever obliged to take out of Exhibit 209 or similar proceedings?

A. That is right.

Q. And how could you make these extracts? Tell the Commission how you would work; what would you take out?

A. Well, I might take out the whole thing or I might just take out a section I was interested in, because we were not allowed to take these out of the building.

Q. And what would you do with the extract when you had made it?

A. What do you mean by that?

Q. You have already said that you did make extracts from the proceedings in the course of your duties. That is what you said, is it not?

A. No.

Q. Then let us get it clear, because I quite distinctly understood you to say so. We will go back at it again. I asked you if you ever had occasion to copy extracts out of the Proceedings of the Ordnance Board, and I understood you to say you had?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Then my question was, having made those extracts what did you do with them?

A. Well, I used them as part — I would not say as part, but to assist me to carry out my duties.

Q. What would your duties in connection with that extract be; would it be that you took it to a meeting of this Board that you are referring to, this Subcommittee?

A. No; I took the minutes of the meeting.

Q. Yes?

A. And to know what they were talking about, this information would give me a background.

Q. And it would not be until you were writing up your minutes that you would take these extracts?

A. No, I wouldn't say that.

Q. Well, what would you say? I want this clear.

A. There were problems coming up all the time which were aired at the meeting. It was not as if we ran into a problem and we would

say, "Well, we are having a meeting at the end of the month, and we will wait for the meeting."

Q. I think we are perhaps both a bit confused. I know I am, from your answers. Do I understand that you would make these extracts in preparation for a meeting of this Committee?

A. No.

Q. You would not make them in preparation for a meeting? Then you later said, as I understood it, that when you were writing up the minutes you would make the extracts so you would understand — ?

A. No, no.

Q. Then please explain, because if you did not make them in preparation for the meeting and did not write them for the purpose of writing up your minutes, for what purpose did you get them?

A. I am telling you, so as to give you the background, to be able to understand what was going on. It might reach a culmination at the meeting, you see; I mean there would be a technical discussion at the meeting, and to know what was being discussed you would have to have a particular background.

Q. I realize that.

A. Therefore the thing to do — for instance, if you ran into trouble with something, you would try to get a picture of that whole thing, so as to know what they were talking about.

Q. So it would be in preparation for discussions at meetings that you would make these extracts?

A. Yes for my own information.

Q. And where would you keep the extracts that you made?

A. Probably in my office.

Q. Probably in your office?

A. Yes.

Q. Certainly, where?

A. In my office.

Q. And no place else?

A. No.

Q. Would you ever take them to the meetings?

A. It is possible.

Q. Can you ever recall ever having done so?

A. No.

- Q. And when they had served their purpose, what did you do with the extracts?
- A. I would tear them up or throw them out.
- Q. Throw them out?
- A. Tear them up.
- Q. They were confidential documents?
- A. Yes.
- Q. You would not just throw them into the wastepaper basket?
- A. No, I would probably tear them up.
- Q. You would make sure that they could not get into unauthorized hands?
- A. Yes.
- Q. Did you ever keep any of these extracts after they had served their turn?
- A. No.
- Q. You never kept any?
- A. Not to my knowledge.
- Q. So that any extract you ever made, you destroyed when they had served your purpose?
- A. Yes.
- Q. How long would you keep any particular extract?
- A. That is hard to answer.
- Q. Would it be a few days, or would you keep them for weeks?
- A. I wouldn't know.
- Q. Are you satisfied in your own mind that every extract you made from the Proceedings of the Ordnance Board was destroyed by yourself?
- A. Yes.
- Q. You are satisfied of that?
- A. Yes.
- Q. Did Mr. Malley know you were making extracts from the Proceedings of the Ordnance Board?
- A. Well, I had no occasion to discuss it with him.
- Q. You never discussed it with him?
- A. No.
- Q. Did anybody else know you were making extracts from the Proceedings of the Ordnance Board?
- A. I don't know.

Q. Did you ever produce one of your extracts at any meeting of any committee that you were on, or of which you were Secretary?

A. No. I produced the information.

Q. You produced the information?

A. Yes.

Q. But at none of the meetings did you produce the extracts?

A. No.

Q. So nobody at the meeting would see that you had an extract from the Proceedings of the Ordnance Board?

A. I don't think so.

Q. And you never discussed with anybody the propriety or otherwise of making these extracts?

A. No.

Q. You did it on your own responsibility?

A. Yes.

Q. There has been evidence here, Mr. Gerson, that it was part of your duty or function to peruse the proceedings of the Ordnance Board, and the information in the Proceedings was not necessary to you in the exercise of your duties or your functions. What do you say to that?

A. Well, it is a surprise.

Q. Let me put it to you this way. Did Mr. Malley ever ask you to peruse the Proceedings of the Ordnance Board and give him information?

A. No.

Q. Did Colonel Ogilvie ever ask you to peruse the Proceedings of the Ordnance Board and give him information?

A. No, but they would ask questions or there would be discussions about material.

Q. Mr. Malley would have access to the Proceedings, would he not?

A. Yes.

Q. And Colonel Ogilvie would have access to the Proceedings?

A. Yes.

Q. They would know what was in them?

A. If they read them.

Q. And neither of them asked you ever to read them and give them information out of them, did they?

A. Well, they would ask for information. Where it came from, that is another story.

Q. Can you recall either of them asking you for information which had to be taken out of the Proceedings of the Ordnance Board?

A. Not at this moment; no.

Q. Can you recall any person in the Department of Munitions and Supply ever asking you for information that you had to take out of the Proceedings of the Ordnance Board?

A. No, I can't recall right now.

Q. And you say that you think you can recall that you did this on perhaps four or five occasions; was that what you said?

A. Possibly.

Q. Would it be any more than five?

A. I wouldn't want to state a specific number. I don't remember.

Q. And you would use these Proceedings only in Ottawa?

A. That is right.

Q. Do you know of any other place than this room or library, or whatever you wish to call it, where these documents were kept, where you could get the Proceedings?

A. No.

Q. And you could consult them at any time?

A. Yes.

Q. Why would you make extracts if you could consult them at any time?

A. Why, you get into the habit of making notes.

Q. But taking a complete extract of that document?

A. Well, what we used to do —

Q. That would not help you to discuss the matter with the other members of the committee, if you could consult the book itself? It was useless work to make an extract?

A. Except that you wanted to put it back into the file as quickly as possible, and you would have to go back and get it all the time, and somebody else might have it out. You do a lot of things under a set of circumstances which are —

Q. Did you do that with other documents on which you were working, and that you had to obtain from that room where they were kept in custody, or just with that Exhibit 209?

A. I don't know why you are saying 209, unless there is some special reason for it.

Q. Exhibit 209 is a good example. I can show you Exhibit 209-A, which is another group.[†]

Q. Did you make extracts from Exhibit 209-A also?

A. I don't know. I don't remember. I would have to look through it and find out just what the subjects were. It deals with a thousand subjects.

Q. So when you wanted to know something from any of the documents that belonged to your department, did you make extracts of them?

A. Sometimes.

Q. Mr. Gerson, let me read to you from Major Lawrence's evidence. You know Major Lawrence, and who he is?

A. Yes.

Q. He was asked this question:—

Q. Would Gerson's duties in any way ordinarily require him to see these documents?

A. No, sir.

Would you agree with that statement?

A. No, I would not agree with that statement.

Q. You would not?

A. No.

Q. What qualification, if any, would you make in it?

A. What qualification I would make? Because at the same time that I was working for Mr. Lawrence, I was also unofficially, Mr. Scott, the Director of that Division, his general office boy. He would ask all sorts of questions, which he expected answers for.

Q. You have told us that Mr. Malley at no time ever instructed you to make extracts from the Proceedings of the Ordnance Board?

A. Yes.

Q. And that Colonel Ogilvie at no time ever instructed you to make extracts from the Proceedings of the Ordnance Board?

A. Yes.

Q. Did this other gentleman, Mr. Scott, ever instruct you to do so?

A. No, but they asked me — there were problems that came up, and questions that came up, which you had to read in order to get a background.

[†]Second bound volume of proceedings of the Ordnance Board of the United Kingdom.

Q. Did anybody ever ask you or instruct you to make extracts from the Proceedings of the Ordnance Board?

A. The point that you don't get —

Q. I would like you to answer my question and then give the explanation. Did anybody ever instruct you to make extracts from the Proceedings of the Ordnance Board?

A. No.

Q. Now, then, I understood you to say that in order to answer some questions which might be put to you, it was necessary for you from time to time and perhaps on four or five occasions, to read those Proceedings and make extracts?

A. Yes.

Q. Then when you answered the question, after having made the extracts, would you carry the extract with you to the person whose question you were going to answer?

A. No, I would give him the answer.

Q. You would give him the answer?

A. Yes; and probably say if they would look up in the Ordnance Proceedings on this, this is where the thing came up, or this is how they dealt with it.

Q. And then, having given the answer, you would destroy the extract?

A. Possibly; yes.

Q. Let us get it definitely?

A. Yes.

Q. Definitely you did?

A. Yes.

Q. And that would be the practice you would follow on each of these four or five occasions?

A. Yes.

Q. And you never at any time told anybody that you were following the practice of making extracts?

A. Well, they left it —

Q. Answer the question, and then explain. You never at any time told anybody you were making these extracts?

A. No.

Q. I show you Exhibit No. 28,† Mr. Gerson. That document on both sides of the page is written by you in your handwriting, is it not?

A. Yes.

†Document in Gerson's handwriting containing information re guns and shells.

Q. Then in Exhibit No. 209 I show you the Proceedings of the Ordnance Board, 25th July, 1945, a confidential document of some length. Under the heading "Q-B Investigation No. 1,206" we find about two-thirds of the way down the page a sentence beginning with "The gun being slightly elevated." I would like you to follow on Exhibit No. 28 while I read from Exhibit No. 209:

The gun being slightly elevated, some liquid R.D.X./T.N.T. flowed back along the

That document, Exhibit No. 28, which is before you, was undoubtedly copied from No. 31,719 of Exhibit No. 209, or a duplicate of it; is that not so?

A. Yes, sir.

Q. By yourself?

A. Yes, sir.

Q. When did you copy that?

A. I do not remember.

Q. Why did you copy it?

A. I was probably interested in that information.

Q. Why did you retain it and not destroy it?

A. It is news to me it was retained.

Q. Mr. Gerson, this document was found in the Russian Embassy. How did it get there?

A. I do not know.

Q. Can you tell us why you would copy the document word for word, instead of just making notes, as you suggested at an earlier stage of your evidence?

A. No, sir.

Q. You cannot?

A. No.

5TH DOCUMENT

The fifth document is another telegram sent by Zabotin to *The Director*, also on the 2nd August, 1945. The last paragraph, which relates to the same matter, reads as follows:—

To the Director

2.8.45. 3) We have received from Gray the whole correspondence on the question of the theory of the deformation of the shell in the channel of the barrel. Altogether about 150 pages. We shall send them in rote.

2.8.45

Grant

Questioned on this, Gerson said:—

- Q. Had Exhibit 28 anything to do with that?
- A. No; Exhibit 28 was the filling of RDX - TNT.
- Q. The deformation of the shell in the channel of the barrel would be a matter that would be determined by firing tests, is it not?
- A. Yes.
- Q. That is the only way you could determine it?
- A. I wouldn't be an authority on that. You would have to ask somebody else.
- Q. Do I understand, then, that you were interested in the firing tests shown by Exhibit 28, but that you would not be interested in firing tests dealing with the deformation of the shell in the channel of the barrel?
- A. Possibly not.
- Q. What is that?
- A. Possibly no.
- Q. And possibly yes?
- A. No.
- Q. So you would be interested in the subject matter of Exhibit 28?
- A. I was interested in the subject of Exhibit 28, which is RDX - TNT filling.
- Q. Would the Proceedings of the Ordnance Board, which contained the information in Exhibit 28, also contain the records of tests to deal with the deformation of the shell in the barrel?
- A. They could.
- Q. Did they?
- A. Did they?
- Q. Yes?
- A. I don't know.

Q. Now listen, Mr. Gerson, why would you go to these reports, Exhibit 209, and copy the subject-matter of Exhibit 28, in order that you would know the background of all these things that came up, and not read Exhibit 209 for the purpose of knowing about the deformation of the shell in the channel of the barrel? Why not?

A. I don't know.

Q. In your Branch you were dealing with ammunition?

A. Yes, sir.

Q. Loaded with TNT?

A. Yes.

Q. Loaded with RDX?

A. Yes.

Q. And you would be just as interested in the contents as you would be in the casing, the shell?

A. Yes.

6TH DOCUMENT

The sixth document is a telegram addressed on the 9th August, 1945, by *The Director* to Zabotin, requesting further information as to the methods and technical processes of the production of explosives and chemical materials:—

11295

14.8.45

To Grant.

In the mail of 23.8.1944 were received from you Gray's two materials—the monthly reports on the research of separate technical questions in the field of production of war supplies. On the basis of the short and fragmentary data it is impossible to judge the methods and work of the Canadian and English industry of war supplies, powders and chemical materials.

It is desired to obtain the following information:—

1) ~~37~~ methods ~~2507~~ and technical processes of the production of war supplies, BB and powders. *

2) Deciphering of laminated BB, the production of T. H. and H. S. (composition, purpose, technology and specific qualities).

3) The application of picrate and nitrate-gushnidina.

I repeat, picrate and nitro-gushnidina.

*indicates letters crossed out in original Russian document.

4) The technique of producing detonating capsules and igniting capsules. Wire to whom do you consider it possible to give this task.

If Bacon still continues to work in the Artillery Command Committee, this task should be assigned to him. *

Grant
14.8.45

9.8.45 Director.

Questioned on this, Gerson said:—

Q. It related to the production of munitions which was a matter that the Department of Munitions and Supply certainly was interested in in 1944; that is correct, is it not?

A. Yes.

Q What would those monthly reports be?

A. You got me, monthly reports on research?

Q. Might it be Mr. Gerson, that those are the monthly reports that were prepared from information on production furnished by you and then worked up by the Economics and Statistics Branch?

A. No.

Q. Those were monthly reports?

A. Monthly reports on production.

Q. This question is directed in part to the production of munitions which would apply to your branch of Munitions and Supply?

A. Yes.

Q. You cannot make any suggestion as to what that might have been?

A. No.

Q. That is the only monthly report you know of in your Branch?

A. Yes, that monthly report of production.

Q. . . . *the methods and work of the Canadian and English industry of war supplies, powders and chemical materials.*

It is desired to obtain the following information:—

*

(1) 37 methods 2507 and technical processes of the production of war supplies, BB and powders.

That has been translated as explosives; that is the term that they used in the telegram. In your department in the production branch you would certainly have information as to the production of munitions. Then:

* Faint type indicates words crossed out in original documents.

(2) *Deciphering of laminated BB, the production of T.H. and H.S. (composition, purpose, technology and specific qualities).*

(3) *The application of picrate and nitrate-gushnidina. I repeat: picrate and nitro-gushnidina.*

(4) *The technique of producing detonating capsules and igniting capsules. Wire to whom do you consider it possible to give this task.*

* *If Bacon still continues to work in the Artillery Command, Committee this task should be assigned to him.*

In the Production Department you would have to know about the technique of producing the capsules of the detonators and the igniting capsules?

A. Yes.

Q. That would be something you would know about in the Production Department. Would you know anything about picrite and nitroguanidine?

A. Picrite was an explosive. Picrite and nitroguanidine are used in the manufacture, I think it is either of nitrocellulose or one of the propellants.

7TH DOCUMENT

On the 14th August, 1945, Zabotin answered the request of the Director and advised him that the assignment had been given to Gerson, Halperin, and Boyer, as appears from an excerpt from a telegram of that date, which reads as follows:—

250

To the Director, with reference to No. 11295

(1) The tasks will be assigned to Gray, to Bacon and to the Professor through Debouz. The Professor is still away on a business trip. There will be a meeting with Debouz at the end of this month.

14.8.45

Grant

On this, Gerson testified:—

Q. Then Colonel Zabotin, or *Grant*, replies to Moscow, and this is Exhibit No. 20-J. I have not the original here just at the moment, but this is a copy. When Zabotin got this list of tasks, this request

* Faint type indicates word crossed out in original documents.

for information that Moscow wanted him to get, he answered the *Director* at Moscow. The practice was that each telegram here was numbered with a consecutive number beginning at the first of the month and carried on, and they used to number the telegrams from Moscow. The one I have is an answer to No. 11295 from Moscow, and Colonel Zabotin says: —

The tasks will be assigned to Gray, Bacon and the Professor through Debouz.

Those are cover names; just as *Gray* is a cover name for you, *Bacon* and *Professor* are cover names for other persons, and *Debouz* is the cover name of the man through whom these tasks were to be given. The evidence is that *Debouz* is Fred Rose. Did you ever have any talks with Fred Rose about information that you were to channel through him to anybody?

A. No, sir.

Q. Think very carefully, Mr. Gerson.

A. No.

Q. Why do you hesitate to give an answer?

A. He told me to think carefully. I was ready to answer right away.

8TH DOCUMENT

The eighth document is another telegram by Zabotin to *The Director*, sent on the 25th August, 1945:—

263

To the Director,

Gray was earlier assigned the task of taking all measures to remain in his old job. At the last meeting the latter stated that in the near future great reductions will begin. In the event that it will be impossible to remain on the old job, Gray proposes to form a geological-engineering consulting office in Ottawa. Gray is a geological engineer by profession and therefore can head this office. The expenses for organizing the office are as follows:—rent of premises—600 dollars a year; wages for one clerk \$1,200.00 a year; office equipment—\$1,000; payment to Gray as director—\$4,200 a year; altogether it will require 7,000 dollars a year. Gray stated that Canada is entering a “boom” period in the mining industry, and it is therefore very likely that within two years the office will be in a posi-